

# **MINUTES**

## **North Dakota Public Employees Retirement System**

**ND Association of Counties, Bismarck**

**BCBS, 4510 13<sup>th</sup> Ave SW, Fargo**

**Tuesday, December 16, 2008**

**8:30 A.M.**

Members Present: Mr. Levi Erdmann  
Ms. Joan Ehrhardt  
Mr. Ron Leingang  
Mr. Mike Sandal  
Ms. Arvy Smith  
Mr. Thomas Trenbeath

Via Conference Call: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Deb Knudsen, NDPERS  
Ms. Kathy Allen, NDPERS  
Ms. Jamie Kinsella, NDPERS  
Mr. Aaron Webb, Attorney Generals Office  
Mr. Steve Cochrane, RIO  
Mr. Brad Ramirez, Segal  
Ms. Melanie Walker, Segal  
Mr. Pat Brown, Brady, Martz and Associates  
Mr. John Mongeon, Brady, Martz and Associates  
Mr. Gary Rath, NDEA  
Mr. Stuart Savelkoul, NDPEA

Via Conference Call: Mr. Kevin Schoenborn, BCBSND  
Ms. Onalee Sellheim, BCBSND

Chairman Strinden called the meeting to order at 8:35 a.m.

### **MINUTES**

Chairman Strinden called for any questions or comments regarding the minutes of the October 16, 2008 Board meeting.

**MR. SANDAL MOVED APPROVAL OF THE OCTOBER 16, 2008 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. TRENBEATH. THE MINUTES WERE APPROVED.**

Chairman Strinden called for any questions or comments regarding the minutes of the November 7, 2008 Board meeting.

**MR. LEINGANG MOVED APPROVAL OF THE NOVEMBER 7, 2008 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MS. EHRHARDT. THE MINUTES WERE APPROVED.**

## **MISCELLANEOUS**

### **Audit Report**

Mr. Brown and Mr. Mongeon from Brady, Martz and Associates reviewed the 2008 NDPERS audit report with the Board. Mr. Brown reported that it is a clean opinion this year. He thanked the staff at NDPERS for their cooperation during the audit.

### **PERSLink Quarterly Report**

Mr. Reinhardt reviewed with the Board the PERSLink status report for the period July 1, through September 30, 2008. Overall, the project is on time, on budget, and within scope.

### **Audit Committee Minutes**

The approved August 20, 2008 audit committee minutes were shared with the Board for their information.

### **Executive Budget Update**

Mr. Collins reviewed with the Board the executive budget for 2009-2011 as released by the Governor. Key points discussed were:

1. The PERS administrative budget was approved as proposed by the Board
2. The Governor included and recommended the retiree health increase
3. The health plan was funded at the priority #2 level

### **NDPERS 2009 Board Meeting Schedule**

Mr. Collins presented the Board with the 2009 Board meeting schedule. The Board concurred with the schedule.

## **RETIREMENT**

### **Annual Investment Update**

Mr. Cochrane from the Retirement and Investment Office presented the annual investment update to the Board. The update included information relating to current economic conditions, PERS asset allocation, and performance review. The estimated rate of investment returns is minus 22%.

The Board discussed this information and had questions of Mr. Cochrane.

**Segal Compliance Review of PERS Hybrid Plan & Highway Patrol Retirement Plan**

Ms. Knudsen reviewed with the Board the results of the compliance review that was conducted by Segal Company at the end of November. The review focused on written plan requirements for qualified defined benefit plans under the Internal Revenue Code section 401(a). She also reviewed with the Board the difference if we elect to submit under Schedule C or Schedule E. After discussion, the Board determined that PERS should submit under Schedule C.

**MS. EHRHARDT MOVED TO SUBMIT TO THE IRS UNDER SCHEDULE C AND SUBMIT THE AUTOMATIC ROLLOVER IN THE VOLUNTARY COMPLIANCE PROGRAM. THE MOTION WAS SECONDED BY MR. TRENBEATH.**

**Ayes:** Ms. Ehrhardt, Mr. Leingang, Mr. Sandal, Ms. Smith, Mr. Trenbeath, Mr. Erdmann, and Chairman Strinden.

**Nays:** None

**MOTION PASSED**

**Retirement/Legislation Update**

Mr. Collins presented a legislative update to the Board.

Mr. Collins presented the Board with an overview of where things are with the retirement program from a funding standpoint to coincide with what Mr. Cochrane has reported from an investment standpoint. There are two parts to the funding equation – investment returns and contributions. The only way to change contributions is through legislative action. Mr. Collins indicated that Segal has provided a range of options which are prudent actions at this time. Mr. Collins suggested a proposed plan of action including the Board chairman and Executive Director meeting with the chair of the Legislative Employee Benefits Committee, meeting with interest groups, employers and employer organizations. Mr. Collins reported he has met with OMB and Legislative Council to review this information.

Mr. Collins reviewed with the Board a range of options. Staff recommends the conservative option which includes taking action immediately based upon a 10 year recovery. It is recommended to increase contributions 3% beginning July 1, 2009 for a period of 2 years. It was also suggested that a special PERS Board meeting be scheduled the last week of December to review the information from the various group meetings and to determine what option is to be pursued.

**MR. TRENBEATH MOVED TO SUPPORT STAFF RECOMMENDATION TO TAKE THE CONSERVATIVE APPROACH WITH THE BOARD APPROVAL TO OCCUR AT A BOARD MEETING LATER IN THE MONTH OF DECEMBER. THE MOTION WAS SECONDED BY MR. SANDAL.**

Board discussion occurred. The Board agreed to meet on December 30.

**Ayes:** Ms. Ehrhardt, Mr. Leingang, Mr. Sandal, Ms. Smith, Mr. Trenbeath, Mr. Erdmann, and Chairman Strinden.

**Nays:** None

**MOTION PASSED**

**Proposed Legislation LC90118**

Mr. Collins reviewed with the Board the bill and Segal technical comments relating to the proposed supplemental savings plan for state law enforcement personnel.

**Law Enforcement Plan Transfer Policy**

Mr. Collins reviewed with the Board the proposed methodology from Segal relating to establishing a formal policy for the transfer of assets from PERS to the PERS law enforcement plan which would occur on an annual basis.

**MR. TRENBETH MOVED TO ADOPT THE RECOMMENDED PROCEDURE TO TRANSFER ASSETS NEAR JANUARY 1 OF EACH YEAR. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

**Ayes:** Ms. Ehrhardt, Mr. Leingang, Mr. Sandal, Ms. Smith, Mr. Trenbeath, Mr. Erdmann, and Chairman Strinden.

**Nays:** None

**MOTION PASSED**

**Retiree Health**

**EXECUTIVE SESSION**

**MR. TRENBETH MOVED THAT THE BOARD GO INTO EXECUTIVE SESSION PURSUANT TO NDCC 44-04-19.1(9) TO DISCUSS THE STATE STREET CASE. THE MOTION WAS SECONDED BY MS. SMITH.**

**Ayes:** Ms. Ehrhardt, Mr. Leingang, Ms. Smith, Mr. Trenbeath, Mr. Sandal, Mr. Erdmann, and Chairman Strinden

**Nays:** None

**MOTION PASSED**

All members named above were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 11:20 a.m.

The Executive Session closed at 11:35 a.m. and the Board returned to open session.

## **GROUP INSURANCE**

### **2009 Group PDP Contract**

Ms. Allen reviewed with the Board the BCBS MedicareBlue RX contract which is renewed on an annual basis. The contract has been reviewed by legal counsel with no issues noted. The Board had questions relating to the new contract and a suggestion was made to rename the plan to include the word NDPERS for more specific identification. Ms. Allen indicated this name is one given by BCBS.

**MR. LEINGANG MOVED APROVAL OF THE GROUP MEDICAREBLUE RX RETIREE PRESCRIPTION DRUG PLAN CONTRACT FOR THE PERIOD JANUARY 1, THROUGH DECEMBER 31, 2009. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

**Ayes:** Ms. Ehrhardt, Mr. Leingang, Mr. Sandal, Ms. Smith, Mr. Trenbeath, Mr. Erdmann, and Chairman Strinden.

**Nays:** None

**MOTION PASSED**

### **Part D Rates**

Ms. Allen reviewed with the Board the premium structure for the MedicareBlue RX Part D prescription drug plan which increased by 12.94% and is effective January 1, 2009.

**MS. EHRHARDT MOVED TO APPROVE THE PREMIUM STRUCTURE FOR MEDICAREBLUE RX EFFECTIVE JANUARY 1, 2009. THE MOTION WAS SECONDED BY MR. ERDMANN.**

**Ayes:** Ms. Ehrhardt, Mr. Leingang, Mr. Sandal, Ms. Smith, Mr. Trenbeath, Mr. Erdmann, and Chairman Strinden.

**Nays:** None

**MOTION PASSED**

### **Surplus/Affordability Update**

Mr. Reinhardt reviewed with the Board the October surplus projection and affordability analysis for the NDPERS group medical plan. The projection for the 2007-2009 biennium shows total surplus at minus \$4.69 million. Discussion followed.

## **DEFERRED COMPENSATION**

### **401(a) and 457 Companion Plan 3<sup>rd</sup> Quarter Reports**

Mr. Reinhardt reviewed with the Board the 3<sup>rd</sup> quarter investment report for the companion and defined contribution plans. In the 401(a) plan assets decreased to \$15.3 million; assets in the 457 plan decreased to \$21.5 million. The number of participants in the companion plan is increasing and is now at 2,328.

**AUL Contract**

Ms. Allen reported that a new plan provider, American United Life, had met the requirements to provide services under the state's deferred compensation plan. AUL had sent PERS their contract for approval which has been reviewed and modified by legal counsel. The effective date of participation is expected to be March 1, 2009. Board discussion occurred. Mr. Collins indicated the Board may want to consider adding the revised wording to all of the contracts.

**MR. SANDAL MOVED TO APPROVE THE REVISED PROVIDER ADMINISTRATIVE AGREEMENT WITH AUL. THE MOTION WAS SECONDED BY MS. SMITH.**

**Ayes:** Ms. Ehrhardt, Mr. Leingang, Mr. Sandal, Ms. Smith, Mr. Trenbeath, Mr. Erdmann, and Chairman Strinden.

**Nays:** None

**MOTION PASSED**

**Hardship Withdrawal**

Ms. Allen presented detailed information to the Board relating to a participant requesting a hardship withdrawal to cover medical and other expenses incurred by the participant's spouse. The Board discussed this hardship withdrawal case.

**MR. TRENBEATH MOVED TO APPROVE THE HARDSHIP WITHDRAWAL. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

**Ayes:** Ms. Ehrhardt, Mr. Leingang, Mr. Sandal, Ms. Smith, Mr. Trenbeath, Mr. Erdmann, and Chairman Strinden.

**Nays:** None

**MOTION PASSED**

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 11:40 a.m.

Prepared by,

Cheryl Stockert  
Secretary to the Board